

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 15, 2007

Project Number CA-2007-846

Project Name Alderbrook Heights Apartments
 Address: 2220-2260 Brookwood Lane
 Santa Rosa, CA 95404 County: Sonoma

Applicant Information

Applicant: Alderbrook Properties, L.P. and Christopherson Homes, Inc.
 Contact: Jeffery A. Owen
 Address: C/O Christopherson Homes, 1315 Airport Road
 Santa Rosa, CA 95403
 Phone: (707) 237-2563 Fax: (707) 636-8950
 Sponsors Type: Joint Venture

Bond Information

Issuer: City of Santa Rosa
 Expected Date of Issuance: 6-15-2007
 Credit Enhancement: First Community Bank – Letter of Credit

Eligible Basis

Actual: \$5,963,803
 Requested: \$5,963,803
 Maximum Permitted: \$10,746,120

Extra Feature Adjustments:
 55-Year Use/Rent Restriction Adjustment: 120%

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$279,106	\$0
Recommended:	\$279,106	\$0

Project Information

Construction Type: New Construction
 Federal Subsidy: Tax-Exempt/HOME
 HCD MHP Funding: No
 Total # of Units: 40
 Total # Residential Buildings: 3

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
 % & No. of Targeted Units: 100% - 39 units
 55-Year Use/Affordability Restriction: Yes
 Number of Units @ or below 50% of area median income: 4
 Number of Units @ or below 60% of area median income: 35

<u>Unit Type & Number</u>	<u>2007 Rents</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
2 One-Bedroom	50%	\$704
17 One-Bedroom	60%	\$845
2 Two-Bedroom	50%	\$845
18 Two-Bedroom	60%	\$1014

The general partner(s) or principal owner(s) are Christopherson Homes, Inc. and Casa Major.

The project developer is Christopherson Homes, Inc.

The management services will be provided by Hams Delles Company, Inc.

The market analysis was provided by M.E. Shay & Co.

The Local Reviewing Agency, the City of Santa Rosa, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: \$6,986,901 Per Unit Cost: \$174,673 Construction Cost Per Sq. Foot: \$165

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
City of Santa Rosa – tax exempt	\$3,620,000	Santa Rosa – tax exempt	\$2,850,000
City of Santa Rosa - taxable	\$875,000	Seller Carryback	\$1,460,163
Carryback from seller	\$1,191,901	Investor Equity	\$2,676,738
Investor Equity	\$1,300,000	TOTAL	\$6,986,901

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,963,803
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$7,752,944
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$279,106
Approved Developer Fee:	\$449,880
Tax Credit Factor:	\$.9590

Applicant requests and staff recommends annual federal credits of \$279,106 based on a qualified basis of \$7,752,944 and a funding shortfall of \$2,676,738.

Cost Analysis and Line Item Review

The requested eligible basis \$5,963,803 is below TCAC’s adjusted threshold basis limit \$10,746,120. The basis limit includes the adjustment for extraordinary features for the 120% adjustment for the 55-year use/affordability restriction for projects that have more than 50% tax-credit units. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitation.

Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one.

Staff has calculated federal tax credits based on 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

Special Issues/Other Significant Information: The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling. Staff added \$14,320 to the Annual Residential Expenses per year in order to meet the TCAC minimum operating expenses of \$3,000 per unit.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
\$279,106	\$

Standard Conditions

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

TCAC makes the reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credits when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

Additional Conditions: None

Project Analyst: dh